

Virginia Pharmacists Association Financial Decisions

Presented by:

Steve Peters, CLU, CHFC, FLMI, REBC, RHU, CASL, CLTC
Pharmacists Mutual Companies

This is not an offer to sell securities or a promotion of any investment product.

Money Decisions

Presented By:

Stephen H. Peters, CLU, ChFC, FLMI, RHU, REBC, CASL

Pharmacists Mutual Companies

- Pharmacists Mutual Insurance Company
- Pharmacists Life Insurance Company
- Pharmacists National Insurance Company
- Pro Advantage Services, Inc.
- PMC Quality Commitment, Inc.

This presentation is for educational purposes only. Please consult your own tax and/or legal advisor.



I've Finally Arrived.
I'm Finished With
School and Have a
Great Income.



NOW What Do I
Do?

What Are Your Goals?

■ What do you want to do with your life?

- Marriage?
- Children?
- Home?
- Car?
- Own your own business?
- Retire early?
- Legacy
- Charitable Giving



You Know What You Want, Now you need a plan.

Set Priorities



Design a plan to achieve each goal



Execute your plan!

Marriage and Children

Sorry, I can't help you here!

This is entirely up to you!

Should I rent or Own my Home?

OWN	RENT
<ul style="list-style-type: none"> ■ (+) Investment ■ (+) Increases in value ■ (-) Upkeep ■ (-) Insurance ■ (+) Tax deduction 	<ul style="list-style-type: none"> ■ (-) Expense ■ (-) Depletes Assets ■ (+) Upkeep included in rent

Other Factors:

Do I want to live in this area?

For how long?

Housing Decisions

Should I buy a Large House Now or Wait?

Factors to consider:

- 1- Where do I want to live? Will that change?
- 2- Am I happy with my current job?
- 3- What are the mortgage rates and will they go up or down?
- 4- Can I buy more later when I have saved up a down payment? Are home values rising? How fast?
- 5- What are the rents like in the area I want to live?

I Know I want to Buy, and Where. Which Type of Mortgage?

1- Traditional



2- Variable



3- Interest Only



Which Mortgage Type is Best For Me?

Traditional	Variable	Interest Only
Fixed interest rate	Variable interest rate	Interest only for a period of time then balloon
Usually used when rate is low	Usually used when rate is high	Can you afford a balloon

Car – Lease vs. Buy

Leasing Pros and cons:

Pro – Don't have to sell it at end of lease. Can get a much more expensive vehicle for lower monthly payment.

Cons – Limited mileage with severe penalties (18cents plus per mile) – may be subject to personal property tax due to value of vehicle. Must return in pristine condition or incur penalty. May have larger down at time of lease. Insurance may be more. If you total the car insurance pays for cars value not what you still owe on the lease. Never ending car payment.

Car – Lease vs. Buy

Buying Pros and Cons:

Pro: You own it, when it's paid off there is no car payment.

Con: Value of new vehicle declines rapidly.

Con: You have to sell it yourself or trade it on another car.

Con: Less car for the money.

Taking care of your family

I don't need life insurance now, I'm too young. Wrong.

If you have obligations you need life insurance.

Less expensive when younger.

Less health issues – better rate.

Can afford a policy that can actually pay for itself when older.

Policies can provide cash for emergencies or for other needs in the future. **Life insurance can be a great financing vehicle to achieve other financial goals.**

Taking Care of Your Family

Insuring your assets

Greatest Asset?

Home

Auto

Retirement

Saving for retirement:

Start saving as early as you can.

Power of compounding.

Max out your company sponsored retirement plan.

At least participate to the level of company's matching contribution. (Free money)

Start an IRA - Traditional vs. Roth.

Life Insurance in retirement planning.

I have some extra money each month, should I invest it?

As Always, it depends!

Should I pay off my student loan, my house or my credit cards first? (Interest Rates, Balances, Needs).

Better return on an investment.

Pay principal on Mortgage.

Save for Children's education.



Why Consider Investing Now for Retirement?



Personal Assessment



Retirement Plan Investment Vehicles

We're Living Longer

At Age 65, There is:

a 60% chance of living to age 85

a 41% chance of living to age 90

a 21% chance of living to age 95

a 8% chance of living to age 100

a 2% chance of living to age 105

Source: Moulton & Co., 1983 Individual Mortality Table projected to the year 2000.

Time Spent in Retirement

- The average person lives another 25 to 30 years after retiring
- In many cases that's almost the same amount of time spent working

Source: IRS Single Life Expectancy Table, (Publication 590, 2001)

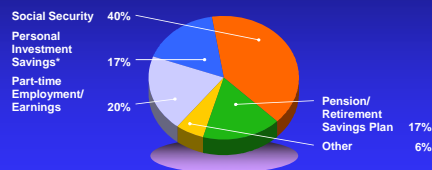
Inflation = Less Purchasing Power



Source for housing costs: U.S. Department of Commerce, Bureau of the Census. Source for college costs: Department of Commerce, U.S. Department of Education.

Have Faith in Social Security?

Where Will Your Retirement Income Come From?



*Personal Investment Savings include interest, dividends, rents, royalties, estates and trusts.
Source: U.S. Census Bureau, 2001.

More Frequent Job Changes

Job Tenure

The median job tenure
is now
3.5 Years

Source: Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, 2000.

The Responsibility Is Yours

- Pensions rewarding long-term employment are becoming far less common
- More employers are shifting the responsibility of saving for retirement to employees
- You need to get involved!

The Cost of Delaying

Mary

- At age 25, began contributing \$5000/per year to a retirement plan
- Stopped after contributing \$50,000 over 10 years
- Tax-deferred account earned 8% annually

The Cost of Delaying

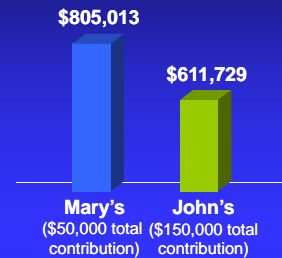
John

- At age 35, began contributing \$5,000 in each of the next 30 years to a retirement plan
- Tax-deferred account earned 8% annually

The Cost of Delaying

Mary's Account Was Worth \$193,284 More Than John's

A 32% Difference



Assess Your Retirement Income Sources

- Social Security
- IRAs
- Employer-sponsored retirement plans
- Personal savings



Consider Your Potential Expenses in Retirement

Expenses That May Decrease

- Taxes
- Mortgage payments
- Education costs



Consider Your Potential Expenses in Retirement

Expenses That May Increase

- Health care costs
- Recreation costs



Identify Your Objective

- Calculate the future value of income
- Estimate expenses you may encounter in retirement
- Factor in lifestyle you want to have in retirement

Retirement Plan Investment Vehicles

Traditional IRA

Roth IRA

Rollover IRA

Traditional IRA For 2007:

- \$5,000 (\$10,000 for married couples) or 100% of annual earned income, whichever is less
- Catch-up contribution: \$1000 (age 50 and older)
- Must be under age 70½
- Contributions may be tax deductible

* The Economic Growth and Tax Relief Reconciliation Act of 2001 also contains a "sunset provision." Unless renewed or changed by Congress, the Act will not apply for tax years beginning after December 31, 2010.

Traditional IRA

- Income limits determine tax-deduction eligibility
- Penalty-free withdrawals before age 59½, if used to:
 - ◆ Pay expenses associated with higher education
 - ◆ Purchase a first home (up to \$10,000 lifetime cap)
- Spousal IRAs

Roth IRA

- Nondeductible contributions of \$5,000 per year (\$10,000 married) or earned income (whichever is less)
- Catch-up contribution: \$1000 (age 50 and older)
- Account accumulates tax free
- Tax-free and penalty-free withdrawals if account is open for more than five years AND
 - ◆ The investor is at least age 59½ or permanently disabled, or
 - ◆ Funds are used for first-time home purchase

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How a Roth IRA Differs From a Traditional IRA

	Roth	Traditional
AGI limits	Yes	No*
Contributions after age 70½	Yes	No**
Required minimum distribution at 70½	No	Yes

* If you or your spouse is covered by an employer-sponsored plan, your IRA deduction may be limited based on your AGI.

** If age 70½ or older in a given year, no contributions may be made for such a year to a Traditional IRA.

Roll It Over

- Direct Rollover if:
 - ◆ You are leaving or changing jobs and want to move your retirement plan money directly to an IRA
- 60-day or Indirect Rollover if:
 - ◆ You receive a retirement plan distribution and want to avoid tax consequences

Maximize Your Current Retirement Planning Opportunities

- Take advantage of employer-sponsored plan
- Take initiative to supplement with individual retirement savings options
- Work with your investment representative to pursue retirement goals



Why Consider Investing Now for Retirement?



Personal Assessment



Retirement Plan Investment Vehicles

REVIEW

Any Questions?